UNITED STATES SENATE
REPUBLICAN
POLICY COMMITTEE

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Five Years Later...

Archer MSAs Are a Resounding Success

Launched in 1997, the Archer Medical Savings Account (MSA) demonstration program was designed to test the concept of coupling a low-cost, high-deductible health insurance policy with a tax-preferred personal medical savings account for out-of-pocket expenses. Participants make regular, tax-free deposits into their MSA to cover routine medical care up to the deductible; the insurance policy covers care above the deductible. Because the MSA is a personal account, any unspent funds belong to the participant and continue to grow tax-free.

Now into its sixth year, the Archer MSA demonstration program has been a resounding success. This year, Congress has the opportunity to maximize on that success by reauthorizing and expanding the program, which is set to expire December 31, 2002.

One measure of its success is that ***the IRS reports more than one-third of all MSA purchasers previously had no health insurance.*** Second, extending coverage to these families was achieved at a cost to the Treasury of about $650 per previously uninsured household – a fraction of the cost of government health programs. Third, nearly 100,000 households have purchased an Archer MSA despite often prohibitive restrictions. While opponents argue this falls short of the participation levels envisioned by the program's authors, given the extent of these restrictions it is a wonder – and a sign of the MSA's appeal – that *so many* have been sold. Consider:

Agents and insurers are selling Archer MSAs, *even though . . .*

- ***they are forbidden by law to sell MSAs to individuals (other than the self-employed),***
- ***they are forbidden by law to sell MSAs to mid-sized companies,***
- ***they are forbidden by law to sell MSAs to large companies,***
- ***their market for new MSA business closes at the end of 2002, and***

- ***unnecessary regulations have made the MSAs less attractive.***

Employers are offering Archer MSAs to their workers, ***even though . . .***

- ***MSAs are hard to learn about, given the limited marketing they have received,***

- ***MSAs are hard to come by, given the restrictions placed on agents,***

- ***the law forbids companies with more than 50 employees to participate,***

- ***the law forbids employers to offer employees a joint MSA contribution, as they can with 401(k)s, and***

- ***unnecessary regulations have made the MSAs less attractive.***

Workers are investing in Archer MSAs, ***even though . . .***

- ***the law forbids them to get an MSA anywhere but through their employer,***

- ***the law prevents them from fully funding their MSAs,***

- ***the law forbids joint employer-employee MSA contributions, and***

- ***the law requires minimum deductibles ($1,500 for individuals, $3,000 for families) that are difficult for many workers to meet.***

Nonetheless, Archer MSAs still receive testimonials like this one from Kay Heine, Kristina Anderson Wright, and Rebecca Turner, in the *Wisconsin State Journal*, 7/17/00:

> *All three of us are working, middle-class mothers – two of us are single moms – and we all have Medical Savings Accounts that provide health insurance for our families. Our message to people in Washington – in plain, unmistakable English – is that MSAs work for working families. Medical Savings Accounts make health care affordable; they are a Godsend for people who are uninsured.*

These three women and their families – like thousands of other MSA families – were previously unprotected against the often extraordinary costs of medical care. Given the hurdles it has faced, the

Archer MSA demonstration program has performed wonders. Congress should give it a chance to perform greater wonders.

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